

## **The complaint**

Miss W complains that Tesco Personal Finance PLC are holding her liable for a loan she was coerced into taking out.

## **What happened**

Miss W took out a loan of £15,000 with Tesco. The funds were deposited into her account with a bank I'll call S. Miss W then gave the funds to her ex-partner via a £10,000 withdrawal and £5,000 bank transfer.

Miss W advised how her ex-partner had asked for the loan to pay a business partner, and he'd promised to repay her the money in full. However this didn't happen. Miss W later realised she'd sadly been the victim of a romance scam, she complained to Tesco advising she was being held liable for a loan she'd been coerced into taking out by her ex-partner.

Tesco looked into Miss W's complaint – but concluded she'd taken out the loan, and in doing so consented to repay the debt.

Miss W wasn't happy with Tesco's response so complained to our service.

One of our investigator's looked into Miss W's complaint. Miss W provided evidence from a medical practitioner showing the impact of being required to repay the loan on her mental health. Our investigator thought that Tesco should have done more. She didn't think Tesco acted unfairly in approving the loan - but felt that as Miss W was scammed into taking out the loan she shouldn't pay any interest and charges on the capital.

Miss W agreed but Tesco's didn't. The bank felt that Bank S should be held responsible for allowing Miss W to withdraw £10,000 in cash. And this is when the scam should have been spotted.

As Tesco didn't agree the case was passed to me for a decision.

I contacted Tesco, and explained my initial thoughts. I explained that I thought Miss W was the victim of a sophisticated scam, she hadn't benefited from the funds and therefore *shouldn't* pay interest on the capital.

Tesco's responded and advised they didn't agree with my recommendation. They reiterated that Bank S should be held responsible for allowing the loan to be withdrawn. And they'd acted fairly in approving the loan.

As Tesco didn't agree I've reviewed my conclusions.

## **What I've decided – and why**

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

It's my understanding, that Tesco accepts Miss W was the victim of a romance scam. I can see that this is recorded in their notes when Miss W contacted Tesco. And they've not challenged our investigator's view on this basis.

Having reviewed the evidence I'm satisfied that Miss W was unfortunately the victim of a cruel and sophisticated romance scam perpetrated by a person she thought she was in a relationship with. I say this as Miss W provided a detailed statement taken by the police, a consistent account of events, newspaper articles about the perpetrator and information from a third party bank showing a loan taken out by her through coercion was written off.

I've thought about what I'd expect from Tesco in this situation. And I've firstly considered whether Miss W should be held liable for the loan. Miss W was the victim of a scam however all of the information provided to Tesco, when Miss W was taking out the loan, was accurate. And at the time the loan was applied for neither Miss W, or Tesco, were aware she was being scammed. It follows I understand why Tesco's approved the loan. And for this reason I won't be asking them to remove Miss W's liability for the capital. But, the interest and charges on the loan are something I'll need to consider separately.

### *Interest and charges*

Miss W is a vulnerable consumer having been a victim of economic abuse, and the negative impacts on her mental health. I've thought about what I'd expect from Tesco when working with vulnerable consumers.

In 2017 UK Finance worked with representatives from charities, victim support groups and government departments to develop a voluntary Financial Abuse Code of Practice. The Code of Practice established best practice for businesses when working with victims of financial abuse and tried to ensure more consistency in the support available.

The code outlines vulnerable consumers shouldn't be financially disadvantaged by the actions of a business. Specifically in section 5 (e) states:

*'Firms shall provide support for customers with debt and arrears and work with the victim to help prevent further debt from accruing, including by reviewing applicable charges and fees.'*

Miss W was the victim of a romance scam, and as a result experienced significant emotional distress. And she's been detrimentally impacted in having to repay the loan capital. As outlined above good industry practice states Tesco should work with Miss W to prevent further debt accruing. Although I agree it's fair for Miss W to repay the capital, she was coerced into taking the loan and didn't benefit from it. For this reason I'm satisfied it wouldn't be fair for Miss W to also pay any interest and charges that have accrued on the loan.

Tesco have argued Bank S should be held responsible for Miss W owing the debt, highlighting that they believe they should have identified the large cash withdrawals Miss W completed when the loan entered her account. And therefore on doing so prevented Miss W handing the money over to the fraudster. I've considered Tesco's argument, and I agree all financial providers have responsibilities to protect their customers from financial harm and to identify activity which might indicate this is the case.

But, I'm satisfied this doesn't change Tesco's responsibilities here. They still have a responsibility to assess whether applying charges and interest is fair and reasonable and in line with best industry practice at the time. And for the reasons I've already outlined I don't think it's fair for interest and charges to apply in Miss W's case.

### **Putting things right**

For the reasons I've outlined above I'll be asking Tesco to remove the interest and charges accrued on the loan. And not charge any interest and charges on the outstanding capital.

I'd also like to remind Tesco they have a responsibility to act positively and sympathetically towards Miss W in arranging an affordable repayment plan for the debt.

### **My final decision**

My final decision is I uphold this complaint and I direct Tesco Personal Finance PLC to:

- Remove any interest and charges from the outstanding loan amount, and not charge any interest or charges on the remaining capital.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss W to accept or reject my decision before 5 January 2023.

Jeff Burch  
**Ombudsman**